

## SECTION VI--PREPARATION OF BUDGET

### OPTING OUT OF THE TAX LIMITATION

For taxes payable 2003, and each year after, the only limitations applicable to school districts are the statutory levy limitations. If the school district cannot operate on the revenue generated by the maximum levy for general fund or the district need as determined by the funding formula, then the school district must "opt-out" of the levy limitations. **As allowed by 10-12-43.**

When preparing tax requests, note that the County Auditor is REQUIRED to levy for revenues lost due to discretionary formulas, abatement of taxes and certain tax increment financing districts. The Department of Revenue and Department of Education will provide you with all this data prior to the time you have to submit your tax request to the County Auditor.

**For school districts receiving state aid**, the calculation of the opt out amount is as follows:

Calculate district need for general fund. This is done by multiplying the FY2003 per student allocation (\$3,889.19) times the adjusted ADM (EX: adj. ADM of 560,  $\$3,889.19 \times 560 = \$2,177,946$ ), that is the DISTRICT NEED as determined by the funding formula.

The sum of local property taxes and state aid will provide the \$3,889.19 per adjusted ADM.

Suppose School District "A" needs \$2,500,000 from property taxes and state aid to fund their budget, the resolution to opt out must state that the board is opting out for a dollar amount above the calculated district need (EX:  $\$2,500,000 - \$2,177,946 = \$322,054$  – amount of opt out needed).

**To calculate state aid** and determine which part of the DISTRICT NEED is state aid and which part is local property taxes.

EXAMPLE:

2002 VAL @ 85%				
AG	\$ 60,825,000	X 3.74	=	\$ 227,486
NA-Z (non-agri acreages)	2,345,100	X 4.74	=	11,115
OO	35,450,000	X 6.02	=	213,409
OTHER	15,900,000	X 12.90	=	205,110
TOTAL				TOTAL
VAL	\$114,520,100			EFFORT \$ 657,120
				(amount from local property taxes)

$560 \text{ ADM} \times \$3,889.19 = \$2,177,946 = \text{NEED}$

$\text{NEED} - \text{EFFORT} = \text{STATE AID} \quad \$2,177,946 - 657,120 = \$1,520,826 \text{ (state aid)}$

**NOTE:** Keep in mind that FY local effort utilized by the state funding systems is based on one half of taxes generated in FY #1 and one half of taxes generated in FY #2 (i.e., FY2002 = November payment of payable 2002 taxes and May payment of payable 2003 taxes) The above example is for a calendar year, not fiscal year.

**For school districts NOT receiving state aid.** The calculation of the opt out amount is as follows:

Valuations in district times maximum levies. Take this amount from the total amount needed to operate. This is the amount of the opt out.

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EXAMPLE:  
85%

2002 VAL @

AG	\$ 60,825,000	X	3.74	=	\$ 227,486
NA-Z (non-agri acreages)	2,345,100	X	4.74	=	11,115
OO	35,450,000	X	6.02	=	213,409
OTHER	15,900,000	X	12.90	=	205,110
TOTAL					TOTAL AMOUNT
VAL	\$114,520,100				THAT CAN BE RAISED
					FROM MAX LEVIES \$ 657,120

Amount needed to operate = \$1,000,000. Opt out amount = \$1,000,000 - \$657,120 or \$342,880.

### BUDGET STEPS

- (1) Prepare operating budget
- (2) Calculate district need (\$3,889.19 X ADM)
- (3) If district need amount DOES NOT fully fund budget - you may choose to opt out
- (4) If district need amount DOES fully fund budget, proceed to step 5
- (5) Check with County Auditor(s) first week in September for total value, by property class, within school district.
- (6) Using values certified by Department of Revenue - calculate what you need from property taxes to fund your budget.
- (7) Submit tax request to county auditor by October 1st. (For general fund, capital outlay, retirement/pension and special education fund, request may be made in the form of dollars per thousand.)

**SCHOOL DISTRICTS**, may opt out for general fund only. Opting out means imposing an excess levy. The excess levy shall maintain the same proportion represented in the mathematical relationship at the maximum levy.

**If a school district**, opts out of the tax limitation, the district needs to send the County Auditor a copy of the "opt out" resolution along with copies of the minutes of the meeting at which the opt out was adopted. IF the opt out is referred to a vote, the business manager of the school district must certify the outcome of the election to the County Auditor. **(illustration 16 shows a sample resolution for opt out)**

Opting out - Requires a two-thirds vote of the governing body on or before July 15th. Decision to opt out must be published within ten days of decision. That decision may be referred upon a petition signed by at least five percent of the registered voters in the taxing district and filed with the governing body within twenty days of the publication. Election to be held on or before October 1st.

**IMPORTANT - - SB 182 has passed the 2002 legislature and has been signed by the Governor. This becomes law July 1, 2002. What this law does is - any opt out passed July 1, 2002 or after must specify in the resolution the year or number of years the excess tax levy will be applied. It also has certain requirements concerning the publication of the opt out resolution. (SDCL 10-12-43)**

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**If an opt out resolution was passed prior to July 1, 2002 the taxing district does not have to opt out again unless they need to exceed that limitation.**

In the first year of the opt out, the amount for which the board opted out is the amount above the levy limitation that the county auditor will levy.

In subsequent years, the school district has up to that opt out amount to use. If the entity decides to use less of the opt out amount or none at all, in years following, that opt out amount is still accessible to the school district.

Example: School District "A" opts out for \$100,000. That year the county auditor will levy \$100,000 above the statute maximums for that school district. The next year, the school district only needs \$30,000 above the maximum levies. They will request that amount as the opt out amount. County auditor will check to make sure it is within the opt out amount. The following year, the school district needs \$55,000 above the maximum levies. The school district DOES NOT need to opt out again. As long as they do not exceed \$100,000 above the maximum levies, they do not need to opt out and the county auditor shall levy any such amount requested. If they need more than the \$100,000, it will take an additional opt out resolution.